

Credit Unions & Small Business Lending in NC

NC General Assembly
March 9, 2016

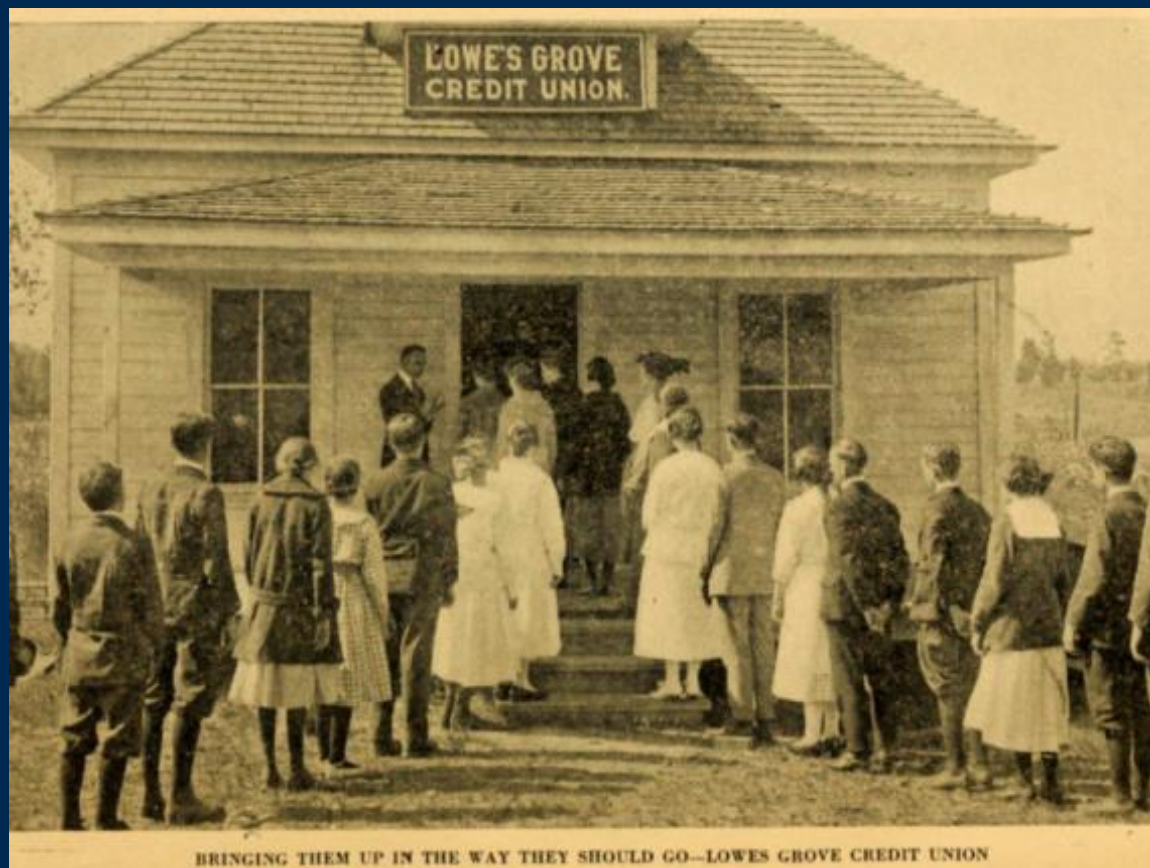


Carolinas Credit Union League

- Serves credit unions in both Carolinas
- Offices in Raleigh & Columbia
- Provides range of services, including advocacy, compliance, and professional development.

The Credit Union Difference

- Not for profit, financial cooperatives
- Return earnings to members
 - Higher savings rates
 - Lower loan rates
 - Fewer fees
 - Member dividends
- Credit Union Philosophy – “People helping people”



Roots of NC Credit Unions

Lowes Grove Credit Union – 1916 (Durham County)

NC Credit Unions

- 79 credit unions
 - 39 state chartered
 - 40 federally chartered
- 3.75 million members
- \$45 billion in total assets
- Largest - SECU - \$31 billion
- Average Asset Size (excluding SECU) – \$179 million

Regulation & Supervision

- National Credit Union Administration (NCUA) – federal
- NC Credit Union Division
 - Agency within NC Department of Commerce
 - Rose Connor – Administrator of Credit Unions
- All NC credit unions – federally insured

Credit Union Business Lending

- 31 NC credit unions
- \$757 million - outstanding business loans
- Average size - \$283,000
- Requires size, scale, & expertise
 - 14 credit unions active business lending programs
 - Canton, Winston-Salem, Charlotte, Durham, Raleigh, Jacksonville

Why credit union business lending?

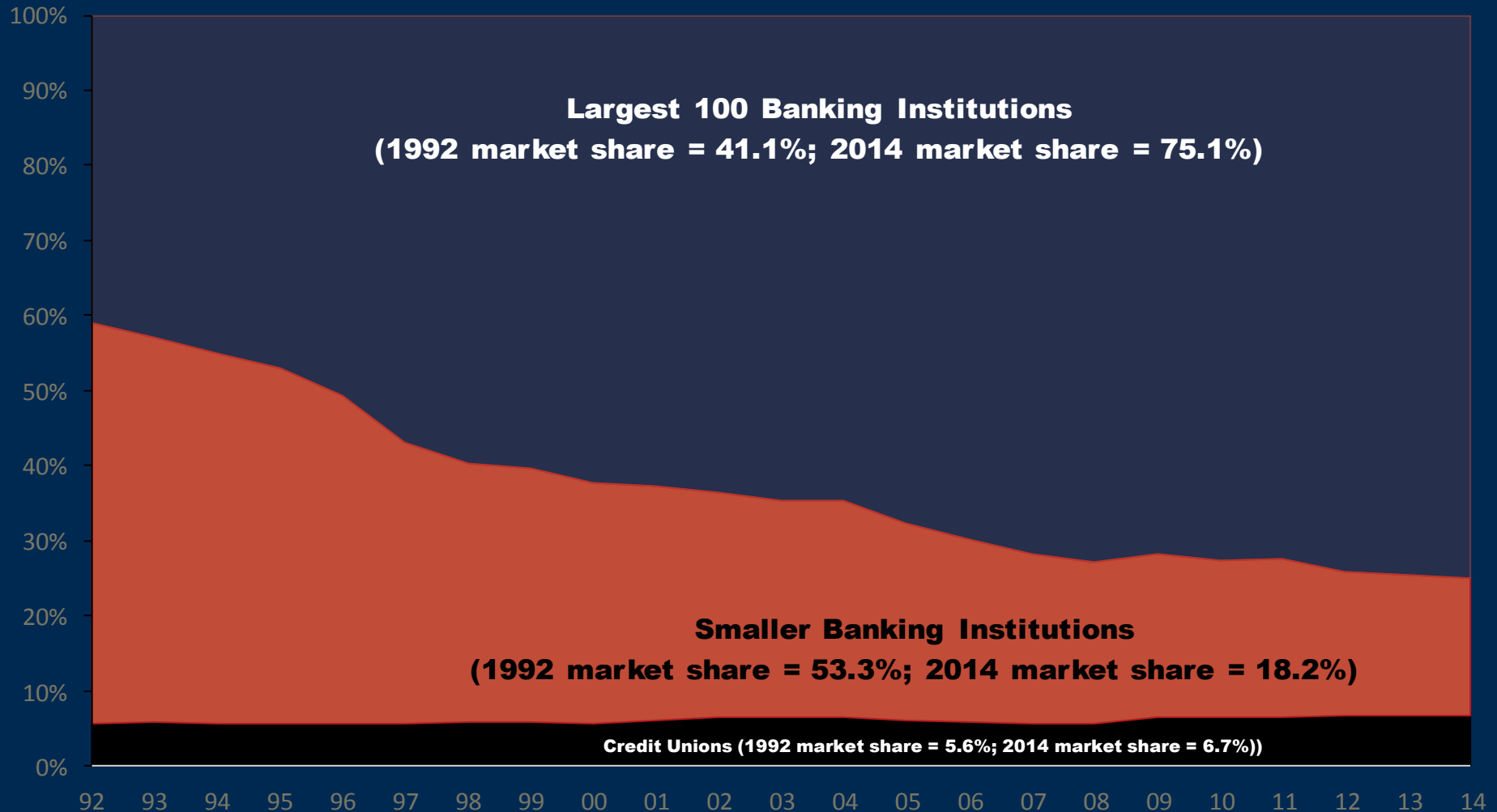
Needs based ... credit union members need and want access to credit:

- Self Help CU – chartered 1980
- Coastal FCU – retiring IBM employees
- LGFCU – volunteer fire departments; EMS

Largest Banks Increasingly Dominate

Market Share of Total Assets

Sources: FDIC, NCUA, CUNA.



CU Business Lending: Safe & Sound

Business Loan Asset Quality Comparison

CUs that offer Small Business Loans do them well

Average Net Chargeoffs – Commercial Loans 1997 to 2014	
Credit Unions	0.29%
Banks	0.81%

Source: NCUA, FDIC, and CUNA
Economics & Statistics

Largest by Loan Volume

Credit Union	Location	Outstanding Business Loans
Coastal FCU	Raleigh	\$ 208,420,888
Truliant FCU	Winston-Salem	\$ 147,755,078
Allegacy FCU	Winston-Salem	\$ 81,064,888
Self Help CU	Durham	\$ 73,780,535
Self Help FCU	Durham	\$ 66,096,395
LGFCU	Raleigh	\$ 65,735,398
Marine FCU	Jacksonville	\$ 53,728,462
Charlotte Metro FCU	Charlotte	\$ 25,732,441
RTP FCU	RTP	\$ 8,299,241
Champion CU	Canton	\$ 5,339,533

Source: NCUA

Obstacles to CU Business Lending

State Rules and Regulations

Field of Membership

Business Lending Rules & Regulations

- Both state & federal credit unions in NC – required to comply with NCUA business lending rules
- June 18, 2015 – NCUA proposed new set of business lending rules
- Expect rules to be finalized Feb. 18, 2016
- When finalized – NC rules will be out of date

Field of Membership Constraints

- Field of membership rules – govern who can join credit unions
 - Limit overall growth of credit unions
 - At times limit ability of credit unions to serve small business owners
- NC credit unions currently have parity with federal charter
- NC could provide additional flexibility

Opportunities for State of NC

1. Update Business Lending Rule –
 - 04 NCAC 06C .0407
 - Need parity for state chartered credit unions in North Carolina

2. Provide additional membership flexibility
 - Opportunities for state charters to serve more consumers & small business owner

Questions

